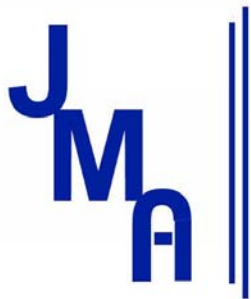


MOFFATT TOWNSHIP
ARENAC COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2008

MOFFATT TOWNSHIP

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11-12
Statement of Revenues, Expenditures and Changes in Fund Balances	13-14
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Fiduciary Funds:	
Statement of Net Assets	16
Notes to Financial Statements	17-25
Required Supplemental Information:	
Budgetary Comparison Schedule - General Fund	26
Budgetary Comparison Schedule - Road Fund	27
Budgetary Comparison Schedule - Fire Fund	28
Budgetary Comparison Schedule - Mosquito Fund	29
Budgetary Comparison Schedule - Gypsy Moth Fund	30



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653
Phone: (989) 821-8601 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

INDEPENDENT AUDITOR'S REPORT

February 17, 2009

Township Board
Moffatt Township
Alger, Michigan 48610

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Moffatt Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express opinions based on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Moffatt Township as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Member MACPA and AICPA

The management's discussion and analysis on pages 3 through 8 and budgetary comparison information on pages 26 through 30 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Moffatt Township's basic financial statements. The accompanying pages of other supplemental information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "James M. Anderson".

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

MOFFATT TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Moffatt Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2008.

Financial Highlights

- . The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$1,449,056 (*net assets*). Unrestricted net assets for the governmental activities were \$854,287. This amount represents the part of net assets that is available to finance day-to-day operations of the Township.
- . The Township's total net assets increased by \$152,053.
- . As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$900,866, an increase of \$161,794 in comparison with the prior year. The General Fund balance is \$304,722 at March 31, 2008, 33% of the total fund balances. The fund balance in the Fire Fund is \$103,806. The fund balance in the Road Fund is \$190,395. The fund balance in the Mosquito Fund is \$148,416. The fund balance in the Gypsy Moth Fund is \$153,527.
- . At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$258,138 or 170% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1)Government-wide financial statements, 2)Fund financial statements, and 3)Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accrued interest payable).

MOFFATT TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and community and economic development. The Township has no business-type activities as of and for the year ended March 31, 2008.

The Government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Fire Fund, Mosquito Fund and Gypsy Moth Fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Tax Collection Fund is the only fiduciary fund.

MOFFATT TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 25 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$1,449,056 at the close of the most recent fiscal year.

A portion of the Township's net assets (61%) reflects its investment in capital assets (e.g., infrastructure, land, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Township's Net Assets

	Governmental Activities	
	2008	2007
Current and Other Assets	\$ 920,713	\$ 753,883
Capital Assets, Net	<u>548,190</u>	<u>557,931</u>
Total Assets	<u>1,468,903</u>	<u>1,311,814</u>
Current Liabilities	<u>19,847</u>	<u>14,811</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	548,190	557,931
Restricted	46,584	30,500
Unrestricted	<u>854,282</u>	<u>708,572</u>
Total Net Assets	<u>\$1,449,056</u>	<u>\$1,297,003</u>

MOFFATT TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The Township's net assets increased by \$152,053 during the current fiscal year. Unrestricted net assets - the part of net assets that can be used to finance day to day operations, increased by \$145,710 or 21%, during fiscal year ended March 31, 2008.

Township's Changes in Net Assets

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Revenue:		
Program Revenue:		
Charges for services	\$ 11,221	\$ 11,271
Capital Grants	-0-	5,800
General Revenue:		
Property Taxes	290,019	276,201
Federal Revenues	-0-	12,000
State Revenues	82,661	82,502
Interest Earnings	9,937	8,603
Other	<u>29,998</u>	<u>41,253</u>
Total Revenue	<u>423,836</u>	<u>437,630</u>
Expenses:		
General Government	136,168	139,352
Public Safety	46,597	70,706
Public Works	73,676	62,532
Community and economic development	<u>15,342</u>	<u>10,487</u>
Total Expenses	<u>271,783</u>	<u>283,077</u>
Increase in Net Assets	152,053	154,553
Net Assets, Beginning of Year	<u>1,297,003</u>	<u>1,142,450</u>
Net Assets, End of Year	<u><u>\$ 1,449,056</u></u>	<u><u>\$ 1,297,003</u></u>

Governmental Activities

The Township's total governmental revenues decreased by \$13,794 compared to the previous fiscal year due to the loss of capital and federal grants. Expenses decreased by \$11,294. This is primarily due to the decrease in expenditures in the Fire Fund.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

MOFFATT TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$900,866 an increase of \$161,794 in comparison with the prior year. The General Fund portion of the fund balance is \$304,722, which is available for spending at the Township's discretion. The remainder of the fund balance consists of Road Fund of \$190,395, Fire Fund of \$103,806, Mosquito Fund of \$148,416 and Gypsy Moth Fund of \$153,527.

The general fund is the principal operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$258,138. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unreserved General Fund balance represents approximately 170% of total general fund expenditures.

The changes in fund balance were as follows; General Fund increased by \$37,477, Road Fund increased by \$42,629, Fire Fund increased by \$43,509, Mosquito Fund increased by \$9,165, and the Gypsy Moth Fund decreased by \$29,014 during the current fiscal year.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted funds are the General Fund, Road Fund, Fire Fund, Mosquito Fund, and Gypsy Moth Fund. There were no budget amendments during the year.

Capital Assets and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of March 31, 2008, amounted to \$548,190 (net of accumulated depreciation). Investment in capital assets includes land, infrastructure, vehicles and equipment. Additions for the fiscal year totaled \$13,192.

Township's Capital Assets (net of depreciation)

Land	\$ 35,300
Infrastructure	135,875
Buildings and Improvements	326,199
Furniture and Equipment	<u>50,816</u>
Totals	<u>\$ 548,190</u>

Additional information on the Township's capital assets can be found in note E on page 24 of this report.

MOFFATT TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the 2007-2008 fiscal year:

- . The State of Michigan has made significant cuts in their operating budgets due to a downturn in the economy. For 2007-2008, the Township received \$76,649 in state shared revenue, representing 41% of the revenues in the General Fund. The amounts of state shared revenues for future periods are uncertain and will affect the Township's budgets. Our budgets were prepared with these factors in mind and will be revised as needed.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**Moffatt Township
7842 Newberry
Alger, MI 48610**

MOFFATT TOWNSHIP
STATEMENT OF NET ASSETS
MARCH 31, 2008

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 612,862
Receivables	295,807
Due from governmental units	12,044
Capital assets-net	<u>548,190</u>
Total Assets	<u>1,468,903</u>
LIABILITIES	
Accounts Payable	7,019
Accrued and other liabilities	<u>12,828</u>
Total Liabilities	<u>19,847</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	548,190
Restricted for Park	46,584
Unrestricted	<u>854,282</u>
Total Net Assets	<u><u>\$ 1,449,056</u></u>

The accompanying notes are an integral part of these financial statements.

MOFFATT TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Charges for Services</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
Primary government:			
Governmental Activities:			
General government	\$ 136,168	\$ 11,221	\$ (124,947)
Public Safety	46,597	-0-	(46,597)
Public Works	73,676	-0-	(73,676)
Community and economic development	<u>15,342</u>	<u>-0-</u>	<u>(15,342)</u>
Total Governmental Activities	<u>\$ 271,783</u>	<u>\$ 11,221</u>	<u>\$ (260,562)</u>
General Revenues:			
Property taxes and fees			290,019
State revenues			82,661
Interest and investment earnings			9,937
Other			<u>29,998</u>
Total General Revenues			<u>412,615</u>
Change in Net Assets			152,053
Net Assets - Beginning of year			<u>1,297,003</u>
Net Assets - End of year			<u><u>\$ 1,449,056</u></u>

The accompanying notes are an integral part of these financial statements.

MOFFATT TOWNSHIP
GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2008

	General Fund	Road Fund	Fire Fund
Assets			
Cash and investments	\$ 207,876	\$ 140,302	\$ 45,057
Taxes receivable	64,140	45,629	91,277
Accounts receivable	1,905	-0-	-0-
Due from other funds	55,181	4,464	-0-
Due from other governmental units	<u>12,044</u>	<u>-0-</u>	<u>-0-</u>
Total Assets	<u>\$ 341,146</u>	<u>\$ 190,395</u>	<u>\$ 136,334</u>
Liabilities			
Accounts payable	\$ 4,162	\$ -0-	\$ 2,857
Accrued and other liabilities	12,828	-0-	-0-
Due to other funds	<u>19,434</u>	<u>-0-</u>	<u>29,671</u>
Total Liabilities	<u>36,424</u>	<u>-0-</u>	<u>32,528</u>
Fund balances			
Unreserved:			
General Fund	258,138	-0-	-0-
Reserved for Park	46,584	-0-	-0-
Unreserved-undesignated, reported in:			
Special Revenue Funds	<u>-0-</u>	<u>190,395</u>	<u>103,806</u>
Total Fund Balances	<u>304,722</u>	<u>190,395</u>	<u>103,806</u>
Total Liabilities and Fund Balances	<u>\$ 341,146</u>	<u>\$ 190,395</u>	<u>\$ 136,334</u>
Fund Balances - Total Governmental Funds			
Elimination of due to and due from other funds			
Due to			
Due from			
Amounts reported for governmental activities in the statement			
of net assets are different because:			
Capital assets used in governmental activities are not financial			
resources, and are not reported in the funds.			
The cost of capital assets is			
Accumulated depreciation is			

Net Assets of Governmental Activities

The accompanying notes are an integral part of these financial statements.

<u>Mosquito Fund</u>	<u>Gypsy Moth Fund</u>	<u>Total Governmental Funds</u>
\$ 127,498	\$ 92,129	\$ 612,862
46,428	46,428	293,902
-0-	-0-	1,905
-0-	14,970	74,615
-0-	-0-	12,044
<u>\$ 173,926</u>	<u>\$ 153,527</u>	<u>\$ 995,328</u>
\$ -0-	\$ -0-	\$ 7,019
-0-	-0-	12,828
25,510	-0-	74,615
<u>25,510</u>	<u>-0-</u>	<u>94,462</u>
-0-	-0-	258,138
-0-	-0-	46,584
<u>148,416</u>	<u>153,527</u>	<u>596,144</u>
<u>148,416</u>	<u>153,527</u>	<u>900,866</u>
<u>\$ 173,926</u>	<u>\$ 153,527</u>	<u>\$ 995,328</u>
		900,866
		74,615
		(74,615)
		946,411
		<u>(398,221)</u>
		<u>\$ 1,449,056</u>

MOFFATT TOWNSHIP
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2008

	General Fund	Road Fund	Fire Fund
Revenues:			
Taxes and fees	\$ 60,257	\$ 45,629	\$ 91,277
State revenues	82,661	-0-	-0-
Charges for services	11,221	-0-	-0-
Interest and rentals	6,036	2,482	912
Reimbursements	9,269	-0-	800
Other	19,785	-0-	-0-
Total Revenues	<u>189,229</u>	<u>48,111</u>	<u>92,989</u>
Expenditures:			
Current:			
General government	131,666	-0-	-0-
Public safety	-0-	-0-	36,288
Public works	4,744	5,482	-0-
Community and economic development	15,342	-0-	-0-
Capital outlay	-0-	-0-	13,192
Total Expenditures	<u>151,752</u>	<u>5,482</u>	<u>49,480</u>
Net Change in Fund Balance	37,477	42,629	43,509
Fund Balances - Beginning of year	<u>267,245</u>	<u>147,766</u>	<u>60,297</u>
Fund Balances - End of year	<u>\$ 304,722</u>	<u>\$ 190,395</u>	<u>\$ 103,806</u>

The accompanying notes are an integral part of these financial statements.

<u>Mosquito Fund</u>	<u>Gypsy Moth Fund</u>	<u>Total Governmental Funds</u>
\$ 46,428	\$ 46,428	\$ 290,019
-0-	-0-	82,661
-0-	-0-	11,221
303	204	9,937
-0-	-0-	10,069
-0-	144	19,929
<u>46,731</u>	<u>46,776</u>	<u>423,836</u>
-0-	-0-	131,666
-0-	-0-	36,288
37,566	17,762	65,554
-0-	-0-	15,342
-0-	-0-	13,192
<u>37,566</u>	<u>17,762</u>	<u>262,042</u>
9,165	29,014	161,794
<u>139,251</u>	<u>124,513</u>	<u>739,072</u>
<u>\$ 148,416</u>	<u>\$ 153,527</u>	<u>\$ 900,866</u>

MOFFATT TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2008

Net Change in Fund Balances - Total Governmental Funds \$ 161,794

Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	\$ (22,933)	
Capital outlay	<u>13,192</u>	<u>(9,741)</u>

Change in Net Assets of Governmental Activities \$ 152,053

The accompanying notes are an integral part of these financial statements.

MOFFATT TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
MARCH 31, 2008

	<u>Agency Funds</u>
Assets	
Cash	<u>\$ 309,515</u>
Total Assets	<u><u>\$ 309,515</u></u>
 Liabilities	
Undistributed Collections	<u>\$ 309,515</u>
Total Liabilities	<u><u>\$ 309,515</u></u>

The accompanying notes are an integral part of these financial statements.

MOFFATT TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Moffatt Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The following is a summary of the significant accounting policies used by the Township:

Reporting Entity

The Township is governed by an elected five member board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate component units of the Township. Based on the application criteria, the financial statements present the Township as the primary government. The Township does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

MOFFATT TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and severance pay are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Township reports following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The *Road Improvement Fund* is used to record property tax revenue, interest earnings, and other revenue restricted for use on Township roads.

The *Fire Fund* is used to record property tax revenue, interest earnings, and other revenue restricted for fire protection services.

The *Mosquito Fund* is used to record the activity of the Township's mosquito activities.

The *Gypsy Moth Fund* is used to record the activity of the Townships efforts to control the gypsy moth infestation.

MOFFATT TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Additionally, the Township reports the following funds:

The *Agency Funds* are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, or other governments. These funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

MOFFATT TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Assets, Liabilities, and Net Assets or Equity (Continued)

Property Taxes - All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2007 taxable value of the Township was \$47,325,963. The 2007 tax levy was .8332 mills for general operating purposes, 1.9419 for the Fire Fund, .9709 for the Road Funds, .9879 for the Mosquito Fund and .9879 for the Gypsy Moth Fund raising \$39,155 for general operating purposes, \$91,277 for fire protection purposes, \$45,629 for road maintenance purposes, \$46,428 for mosquito purposes, and \$46,428 for gypsy moth purposes.

Inventories and Prepaid items - Inventories are valued at cost, on a first-in, first-out basis. Inventory of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Buildings and additions	50 years
Vehicles	5 years
Office furnishings	5-20 years
Other equipment	5-20 years

MOFFATT TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Assets, Liabilities, and Net Assets or Equity (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose.

The fund financial statements focus on major funds rather than fund types.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration. Public hearings are obtained to obtain taxpayer comments and the budgets are adopted at the activity level by a majority vote of the Township Board.

The budget document presents information by fund and activity. The legal level of budgetary control adopted by the Township Board is the activity level.

During the year, there were no amendments to the adopted budgets.

MOFFATT TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2008

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Excess of Expenditures Over Appropriations in Budgeted Funds - The Township incurred expenditure variances as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
Road Fund:			
Public Works	\$ -0-	\$ 5,482	\$ (5,482)
Fire Fund:			
Capital outlay	-0-	13,192	(13,192)
Mosquito Fund:			
Public Works	-0-	37,566	(37,566)
Gypsy Moth Fund:			
Public Works	-0-	17,762	(17,762)

NOTE C - DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown in the financial statements to the Township's deposits and investments is as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>	<u>Township Total</u>
Government-wide Financial Statement Captions:			
Cash and cash equivalents	\$ 612,862	\$ 309,515	\$ 922,377
	<u>\$ 612,862</u>	<u>\$ 309,515</u>	<u>\$ 922,377</u>

The breakdown between deposits and investments for the Township is as follows:

Deposits (checking, savings, and certificates of deposit)	\$ 922,337
	<u>\$ 922,377</u>

Investment and deposit risk:

Interest rate

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: investing operating funds primarily in shorter term securities and limiting the average maturity in accordance with the Township's cash requirements.

Credit risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSPRs). The Township has no investments for which ratings are required.

MOFFATT TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2008

NOTE C - DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a policy for custodial credit risk. At March 31, 2008, \$720,206 of the Township's bank balances of \$940,672 was exposed to custodial credit risk because it was uninsured.

The Township Board is authorized to designate depositories for Township funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The Township is authorized by statute and Township policy to invest surplus funds in the following:

- a. Bonds, securities, and other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States with remaining maturities of two years or less.
- b. Certificates of deposit of a bank which is a member of the Federal Deposit Insurance Corporation.
- c. Commercial paper rated at the time of purchase within the two highest classifications by not less than two standard rating services.

The Township's deposits are in accordance with statutory authority.

NOTE D - RECEIVABLES, PAYABLES AND TRANSFERS

Due from other governmental units was made up of an amount due from the State of Michigan as of March 31, 2008.

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 55,181	General Fund	\$ 19,434
Road Fund	4,464	Fire Fund	29,671
Gypsy Moth Fund	14,970	Mosquito Fund	25,510
Total	<u>\$ 74,615</u>	Total	<u>\$ 74,615</u>

MOFFATT TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2008

NOTE E - CAPITAL ASSETS

Capital asset activity of the Township's governmental and business-type activities were as follows:

Governmental Activities

	Balance April 1, 2007	Additions	Deletions	Balance March 31, 2008
<u>Assets</u>				
Capital assets not being depreciated				
Land	\$ 35,300	\$ -0-	\$ -0-	\$ 35,300
Capital assets being depreciated:				
Infrastructure	162,432	-0-	-0-	162,432
Buildings	373,625	-0-	-0-	373,625
Furniture and equipment	361,862	13,192	-0-	375,054
Subtotal	897,919	13,192	-0-	911,111
<u>Accumulated Depreciation</u>				
Infrastructure	18,435	8,122	-0-	26,557
Buildings	39,705	7,721	-0-	47,426
Furniture and equipment	317,148	7,090	-0-	324,238
Subtotal	375,288	22,933	-0-	398,221
Net capital assets being depreciated	522,631	(9,741)	-0-	512,890
Net Capital Assets	\$ 557,931	\$ (9,741)	\$ -0-	\$ 548,190

Depreciation expense was charged to programs of primary government as follows:

Governmental activities:	
General government	\$ 4,502
Public safety	10,309
Public works	8,122
Total governmental activities	\$ 22,933

NOTE F - RISK MANAGEMENT

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

MOFFATT TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2008

NOTE G - PENSION PLAN

Moffatt Township has a defined contribution plan for elected officials through Metlife. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of these contributions, and forfeitures of other participants benefits that may be allocated to such participant's account.

The Township pension plan agreement specifies which Township positions are covered by the plan. Contributions made by an employee and the Township vest immediately. An employee that leaves the employment of the Township is entitled to his or her account balance consisting of the employee and Township contributions, as well as earnings in the account. The Township is required to contribute an amount equal to 6% of the employee's gross earnings to the plan.

The contract requires contributions based on annual salary. The employee must contribute 6% of the compensation. The Township is required to contribute the remaining 6% of compensation. Eligible compensation for the year was \$95,707. The contribution was as follows:

Employer (6%)	\$ 5,730
Employee (6%)	<u>5,730</u>
	<u>\$11,460</u>

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees. The plan held no securities of the Township or other related parties during the year or at the close of the year.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

MOFFATT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED MARCH 31, 2008

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Fund Balance - Beginning of Year	\$ 267,245	\$ 267,245	\$ 267,245	\$ -0-
Resources (Inflows)				
Taxes and fees	60,300	60,300	60,257	(43)
State revenues	83,000	83,000	82,661	(339)
Charges for services	11,304	11,304	11,221	(83)
Interest and rentals	2,125	2,125	6,036	3,911
Reimbursements	6,900	6,900	9,269	2,369
Other	47,000	47,000	19,785	(27,215)
Amounts Available for Appropriation	210,629	210,629	189,229	(21,400)
Charges to Appropriations (Outflows)				
General government	182,280	182,280	131,666	50,614
Public works	5,000	5,000	4,744	256
Community and economic development	22,300	22,300	15,342	6,958
Capital outlay	-0-	-0-	-0-	-0-
Total Charges to Appropriations	209,580	209,580	151,752	57,828
Fund Balance - end of year	<u>\$ 268,294</u>	<u>\$ 268,294</u>	<u>\$ 304,722</u>	<u>\$ 36,428</u>

MOFFATT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - ROAD FUND
YEAR ENDED MARCH 31, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Fund Balance - Beginning of Year	\$ 147,766	\$ 147,766	\$ 147,766	\$ -0-
Resources (Inflows)				
Taxes and fees	40,000	40,000	45,629	5,629
Interest	<u>2,200</u>	<u>2,200</u>	<u>2,482</u>	<u>282</u>
Amounts Available for Appropriation	<u>42,200</u>	<u>42,200</u>	<u>48,111</u>	<u>5,911</u>
Charges to Appropriations (Outflows)				
Public Works	<u>-0-</u>	<u>-0-</u>	<u>5,482</u>	<u>(5,482)</u>
Total Charges to Appropriations	<u>-0-</u>	<u>-0-</u>	<u>5,482</u>	<u>(5,482)</u>
Fund Balance - end of year	<u>\$ 189,966</u>	<u>\$ 189,966</u>	<u>\$ 190,395</u>	<u>\$ 429</u>

MOFFATT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - FIRE FUND
YEAR ENDED MARCH 31, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Fund Balance - Beginning of Year	\$ 60,297	\$ 60,297	\$ 60,297	\$ -0-
Resources (Inflows)				
Taxes and fees	80,000	80,000	91,277	11,277
Reimbursements	-0-	-0-	800	800
Interest	<u>2,200</u>	<u>2,200</u>	<u>912</u>	<u>(1,288)</u>
Amounts Available for Appropriation	<u>82,200</u>	<u>82,200</u>	<u>92,989</u>	<u>10,789</u>
Charges to Appropriations (Outflows)				
Public safety	76,400	76,400	36,288	40,112
Capital outlay	<u>-0-</u>	<u>-0-</u>	<u>13,192</u>	<u>(13,192)</u>
Total Charges to Appropriations	<u>76,400</u>	<u>76,400</u>	<u>49,480</u>	<u>26,920</u>
Fund Balance - end of year	<u><u>\$ 66,097</u></u>	<u><u>\$ 66,097</u></u>	<u><u>\$ 103,806</u></u>	<u><u>\$ 37,709</u></u>

MOFFATT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - MOSQUITO FUND
YEAR ENDED MARCH 31, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Fund Balance - Beginning of Year	\$ 139,251	\$ 139,251	\$ 139,251	\$ -0-
Resources (Inflows)				
Taxes and fees	44,600	44,600	46,428	1,828
Charges for service				
Interest	<u>145</u>	<u>145</u>	<u>303</u>	<u>158</u>
Amounts Available for Appropriation	<u>44,745</u>	<u>44,745</u>	<u>46,731</u>	<u>1,986</u>
Charges to Appropriations (Outflows)				
Public works	<u>-0-</u>	<u>-0-</u>	<u>37,566</u>	<u>(37,566)</u>
Total Charges to Appropriations	<u>-0-</u>	<u>-0-</u>	<u>37,566</u>	<u>(37,566)</u>
Fund Balance - end of year	<u><u>\$ 183,996</u></u>	<u><u>\$ 183,996</u></u>	<u><u>\$ 148,416</u></u>	<u><u>\$ (35,580)</u></u>

MOFFATT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - GYPSY MOTH FUND
YEAR ENDED MARCH 31, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Fund Balance - Beginning of Year	\$ 124,513	\$ 124,513	\$ 124,513	\$ -0-
Resources (Inflows)				
Taxes & fees	44,600	44,600	46,428	1,828
Miscellaneous	-0-	-0-	144	144
Interest	<u>-0-</u>	<u>-0-</u>	<u>204</u>	<u>204</u>
Amounts Available for Appropriation	<u>44,600</u>	<u>44,600</u>	<u>46,776</u>	<u>2,176</u>
Charges to Appropriations (Outflows)				
Public works	<u>-0-</u>	<u>-0-</u>	<u>17,762</u>	<u>(17,762)</u>
Total Charges to Appropriations	<u>-0-</u>	<u>-0-</u>	<u>17,762</u>	<u>(17,762)</u>
Fund Balance - end of year	<u>\$ 169,113</u>	<u>\$ 169,113</u>	<u>\$ 153,527</u>	<u>\$ (15,586)</u>



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653
Phone: (989) 821-8601 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

February 17, 2009

Township Board
Moffatt Township
Arenac County, Michigan

In planning and performing my audit of the financial statements of the governmental activities and each major fund of the Township of Moffatt, Michigan as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, I considered Moffatt Township's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly I do not express an opinion on the effectiveness of the governmental unit's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the following deficiencies to be significant deficiencies in internal control.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Township Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

.

Member MACPA and AICPA

The Township maintains a manual accounting system. During the audit year, the Township Clerk did not properly maintain the general ledger on a timely basis. This required the Township to contract with an outside service to finalize and post the accounting transactions in the general ledger and subsidiary journals. This clerk was defeated in the November 2008 election and has subsequently been replaced.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). As is the case with most small and medium-sized entities, the Township has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot, by definition, be considered a part of the government's internal controls. This condition was caused by the Township's determination that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control. I believe that the deficiencies described above are material weaknesses.

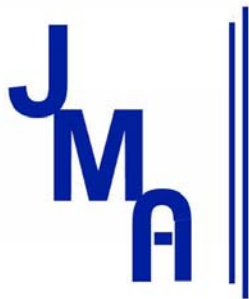
In addition, I noted other matters involving the internal control and its operation that I have reported to the management of Moffatt Township in a separate letter dated February 17, 2009.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

A handwritten signature in cursive script, appearing to read "James M. Anderson".

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

MOFFATT TOWNSHIP
REPORT TO MANAGEMENT
MARCH 31, 2008



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653
Phone: (989) 821-8601 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

February 17, 2009

Township Board
Moffatt Township
Arenac County, Michigan

In planning and performing my audit of the financial statements of the Township of Moffatt, Arenac County, as of and for the year ended March 31, 2008, I considered the Township's accounting, operational, and internal control procedures to determine the nature and extent of my audit testing for the purpose of expressing an opinion on the financial statements of the Township and not to provide assurance on the procedures themselves.

I did however, during the course of my audit, become aware of certain matters that are opportunities for enhancing those procedures or controls. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated February 17, 2009, on the financial statements of the Township of Moffatt.

I have already discussed these comments and suggestions with the Township's personnel, and I will be pleased to discuss them in further detail at your convenience, and/or to perform any additional studies of these matters, should you so desire.

Sincerely,

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

Member MACPA and AICPA

**MOFFATT TOWNSHIP
COMMENTS AND RECOMMENDATIONS
MARCH 31, 2008**

Pension Contributions

The Township pension plan requires employee contributions of 6% with a 6% match from the township. The contribution to the plan for the year ended March 31, 2008 was not made until December of 2008. This contribution should be made on a timely basis through-out the fiscal year or immediately after the year end.

Disbursements

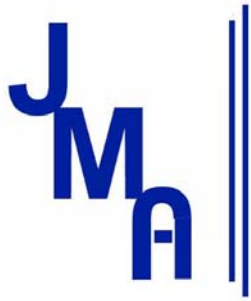
Invoices should be approved by the Township board prior to payment with the exception of utility payments which should be approved subsequently. This enhances the internal controls and avoids potential unauthorized expenditures.

Property Tax Collections

At the time of the property tax settlement with the County, the Township Treasurer was in possession of seven non-sufficient fund checks that had been posted to the respective tax bill as paid. These were not followed up on until the accounting was completed by an outside service. An adjustment has been made for the checks as an accounts receivable and the treasurer is following up on collecting the funds. Bank reconciliations and uncleared items such as NSF checks should be prepared and followed up on in a timely manner.

Budget

Annual budgets are required to be prepared and approved by the Township Board prior to the start of the fiscal year. The 2007/08 budget was not adopted until the April 23, 2007 meeting.



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653
Phone: (989) 821-8601 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

February 17, 2009

Township Board
Moffatt Township
Arenac County, MI

Dear Board Members:

I have audited the financial statements of each major fund and the aggregate remaining fund information of the Township of Moffatt for the year ended March 31, 2008, and have issued my report thereon dated February 17, 2009. Professional standards require that I provide you with the following information related to my audit.

My Responsibility Under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in my engagement letter dated November 26, 2008, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

As part of my audit, I considered the internal control of the Township of Moffatt. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Moffatt Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Moffatt are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. I noted no transactions entered into by the Township of Moffatt during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Member MACPA and AICPA

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Moffatt Township's financial reporting process (that is, cause future financial statements to be materially misstated). In my judgment, none of the adjustments I proposed, whether recorded or unrecorded by the Township of Moffatt, either individually or in the aggregate, indicate matters that could have a significant effect on Moffatt Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves applications of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

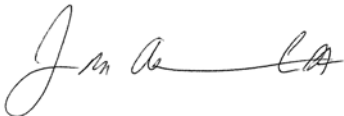
Issues Discussed Prior to Retention of Independent Auditors

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Moffatt Township's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing my audit.

This information is intended solely for the use of management, Township Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "James M. Anderson".

James M. Anderson, P.C.
Certified Public Accountant